



July 24, 2000

President/CEO

«Company»

«StreetAddress»

«City», «StateAddress» «ZipCode»

Dear President/CEO:

The purpose of this letter is to call your attention the provisions of the Medicare statute (Title XVIII of the Social Security Act), as amended by the Balanced Budget Act of 1997 (BBA) and the Balanced Budget Refinement Act of 1999 (BBRA), that expand guaranteed issue rights for certain Medicare beneficiaries. These provisions require Medigap issuers to sell certain Medigap policies on a guaranteed issue basis to individuals who will lose coverage under Medicare managed care plans effective December 31, 2000. Attachment 1 summarizes the responsibilities of Medigap issuers to affected beneficiaries and explains the changes made in these requirements by the BBRA.

As you may know, health maintenance organizations (HMOs) and other managed care plans contract with Medicare to provide covered services to Medicare beneficiaries. Plans decide each year whether to continue serving beneficiaries in selected counties or entire service areas. For the next calendar year, 65 Medicare+Choice plans have decided not to renew their contracts and 53 are reducing their service areas, affecting a total of about 934,000 enrollees.

Medigap issuers may therefore experience an increased demand for Medigap policies between now and March 3, 2001, in the affected areas. Most beneficiaries who wish to purchase a Medigap policy are likely to apply for the policy from early October through early December. Beneficiaries who have other managed care plans to choose from will be having a Special Election Period from October 1 through December 31. Those who decide during this period to return to the Original Medicare Plan will likely be applying for Medigap policies during or shortly after this period.

Some beneficiaries will have additional rights to purchase Medigap policies, with different time limits. As explained in the attachment, certain beneficiaries who have been in Medicare managed care for less than 12 months may have the right to purchase a Medigap policy they held prior to enrolling in managed care, or, if they enrolled in a managed care plan when they became eligible for Medicare Part A at age 65, they may have the right to choose any Medigap policy. Other beneficiaries may still be within the six-month Medigap open enrollment period that begins when they turn 65 and are covered by Part B. None of these rights is exclusive—a beneficiary might meet the criteria for more than one type of protection. Attachment 2 contains a chart indicating the areas in the country where the heaviest demands for Medigap policies are likely to occur.

Under BBA, beneficiaries had to apply for Medigap policies no later than 63 days after loss of managed care coverage. As explained more fully in Attachment 1, the BBRA changes give beneficiaries an additional option. If they wish to terminate their managed care coverage and begin coverage under the Original Medicare Plan with a Medigap policy before December 31, they can choose to have their guaranteed issue rights apply during the 63-day period that begins with the date of the "final notification letter" they receive from their managed care plans. Also, this year, in most States, individuals who are enrolled for the first time ever in a managed care plan, and are in their first 12 months of enrollment in that plan, are being sent separate interim notices by their plans advising them that they may have additional rights. These individuals may exercise these rights at any time between now and the end of December, as long as they are still within the initial 12 month period. These special interim notices will have the beneficiary's name and address on them so that they can be used as proof that these individuals may have additional rights.

The BBA statutory provisions cited in Attachment 1 are implemented by sections 11 and 12 of the NAIC Model Regulation for Medicare Supplement Policies, as amended by the NAIC on April 29, 1998. All States were required to have adopted standards that are at least as stringent as those contained in the April 29, 1998 version of the NAIC Model Regulation by no later than April 29, 1999. The BBRA provisions apply to issuers as of the effective date in the statute, which is the date of enactment (November 29, 1999).

The NAIC is in the process of further amending sections 11 and 12 of the Model Regulation to conform to the amendments added by BBRA. The NAIC is expected to formally adopt these changes to the Model Regulation in September 2000. However, we wish to emphasize that the statutory provisions are in effect, and do not depend on NAIC action. We are urging States to implement these revisions as quickly as possible by emergency regulation or other means, in order to comply with the statute and have these provisions in place before the bulk of Medicare beneficiaries affected by this year's managed care nonrenewals start to exercise their rights.

We appreciate your cooperation in serving Medicare beneficiaries in a timely manner. If you have questions, please contact Julie Walton or Marcia Marshall of my staff at 410-786-4622 or 410-786-6674 respectively. You may also obtain additional information about the nonrenewal process by checking HCFA's <www.medicare.gov> website (containing information for Medicare beneficiaries) and <www.hcfa.gov> website (containing information for providers, partners, and others). HCFA's Partner website <www.nmep.org> may be of particular interest to you, containing the following information:

- ♦ A packet of training materials prepared for the Regional Education about Choices in Health (REACH) Campaign, which may be useful to you for agent or customer service representative training;
- ♦ A Medigap factsheet and a series of beneficiary Qs and As on Medigap issues; and
- ♦ The model beneficiary notices that Medicare contracting managed care plans are required to use to notify beneficiaries of their choices.

According to the Standard Operating Procedure (SOP) that HCFA has developed for the managed care plan nonrenewal process, the final beneficiary notices should be mailed to beneficiaries by September 27 and dated October 2 (to comply with the statutory 90-day notice requirement). The letters direct beneficiaries to contact their local State Health Insurance Assistance Program (SHIP) or the State Insurance Commissioner's Office if they encounter problems or need assistance in locating a Medigap policy.

Sincerely,

Gale Arden
Director
Private Health Insurance Group
Center for Medicaid and State Operations

Attachment 1: Medigap issuers' responsibilities

Attachment 2: Chart showing geographic areas and number of beneficiaries impacted

cc:

State Insurance Commissioners
State Insurance Dept. Medigap contacts
National Association of Insurance Commissioners
Associate Regional Administrators
Regional Office Medigap Coordinators
All Managed Care Nonrenewal coordinators
Health Insurance Association of America
Blue Cross Blue Shield Association of America
American Association of Health Plans
National Association of Health Underwriters
American Association of Retired Persons
State Health Insurance Assistance Programs
State Health Insurance Assistance Program Regional Coordinators